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STATE PASS USTR FOR B. WEISEL AND J. JENSEN  
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COMMERCE FOR 4430/MAC/EAP/MAC/BAKER

E.O. 12958: DECL: 05/23/2016  
TAGS: [ETRD](#) [EFIN](#) [ELAB](#) [ECPS](#) [MY](#)  
SUBJECT: MEET THE FTA NEGOTIATORS: PART 3

REF: A. KUALA LUMPUR 0678  
[1](#)B. KUALA LUMPUR 0743  
[1](#)C. KUALA LUMPUR 0930

Classified By: Economic Counselor Colin Helmer for reasons 1.4 b & d.

[1](#)1. (SBU) Summary and introduction: Many of Malaysia's lead negotiators for the different FTA chapters took part in our Trade and Investment Framework (TIFA) discussions, but others are new faces. Econ counselor and econoffs are calling on all of the new negotiators to take their measure in advance of the negotiation. Refs A & B reported on previous calls.

#### Financial Services

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[1](#)2. (C) Econ officers met with Nor Shamsiah Yunus (goes by Nor Shamsiah), Assistant Governor of Bank Negara, Malaysia's central bank, and Jeremy Lee, Deputy Director of the International Department. When econoffs asked why Nor Shamsiah, who supervises regulatory matters, was selected to be lead negotiator for financial services, Lee chimed in, "Because (Bank Negara) Governor Zeti considers these negotiations so important!" Nor Shamsiah noted she has past experience from negotiations on financial services at the WTO and suggested that this was why she was chosen. However, it is noteworthy that the International Department had this responsibility in Malaysia's other bilateral FTA's and that Governor Zeti apparently intervened to put one of her top officials in charge.

[1](#)3. (SBU) Nor Shamsiah expressed skepticism that Malaysian financial services firms could be competitive in the U.S. market. Thus she saw all the FTA benefits in this sector accruing to the U.S. side. When econ counselor observed that the U.S. market for Islamic financial services might be underserved and provide an opportunity for Malaysian firms to get their foot in the door, Nor Shamsiah said this would not be possible because of U.S. deposit insurance rules. Econoffs suggested that the diverse U.S. financial services market provided a variety of means for reaching out to potential customers. They proposed savings and loan associations, or credit unions as alternatives, if a federally chartered bank was not an option. Nor Shamsiah said she would like to hear from U.S. negotiators how Malaysian firms might be able to offer Islamic financial services in the U.S. She also wanted to know how the Federal government would bind the states in services where they retain regulatory authority, such as insurance.

[1](#)4. (C) Comment: Nor Shamsiah is considered by many to be a future candidate for Governor of Bank Negara. She has significant government experience but lacks familiarity with

the private sector, having spent her whole career at Bank Negara. She is personable and engaging, but staunchly supports the Bank's protection of Malaysia's domestic financial services firms and its use of its regulatory authority to advance the government's bumiputera policy (Ref C). Opportunities to pursue Islamic finance in the U.S. may be the most significant incentive we can offer to Bank Negara in return for opening Malaysia's market to U.S. firms. We encourage U.S. negotiators to come prepared to discuss this Islamic finance in detail at the first FTA round in Penang, June 12-15.

#### Labor -----

15. (SBU) Political and economic officers called on Choy Lup Bong (goes by Choy) Under Secretary in the Labor Policy Division of the Ministry of Human Resources to discuss arrangements for the first round of negotiations on the labor chapter. Choy, who recently accompanied Minister of Human Resources Fong Chan Onn on a visit to the U.S., said Minister Fong became aware on his trip that the FTA's labor component would require a significant effort from his Ministry. Choy indicated that Fong probably would provide a briefing to the National Labor Advisory Council (NLAC), a body which brings together representatives from government, employer federations and labor unions, following the first round. Fong chairs the NLAC and may use this group to keep stakeholders informed as the negotiations go forward. Choy recommended that labor negotiations be held the week of June 26 (instead of June 12 with the other FTA chapters) to allow U.S. negotiators to meet with G. Rajasekaran, Secretary General of the Malaysian Trade Union Congress (MTUC), Malaysia's largest trade union umbrella organization. (Comment: We concur with this recommendation. Rajasekaran's comments on the FTA will be influential with the public, in particular union members.)

16. (SBU) Choy seemed very pro-U.S. for a Malaysian government official. He spoke effusively about Minister Fong's visit to Seattle, where they toured the headquarters of Boeing and Microsoft.

#### Telecommunications and E-Commerce -----

17. (SBU) Econoffs met with K. Anbalangan (goes by Anba) Acting Under Secretary of the International Communications Division of the Ministry of Energy, Water and Communications, who will be the lead negotiator for the Telecommunications and E-Commerce chapter. Anba said he had represented Malaysia in telecoms discussions at the WTO. He clearly had studied the telecoms chapters of U.S. FTA's and raised a number technical questions about how they would apply to Malaysia's situation. However, his main focus was on "what do U.S. firms want in this market?" He pressed this point repeatedly, suggesting that as U.S. firms had shown no strong commercial interest in this sector up to now, U.S. negotiators should be moderate in their requests.

18. (SBU) Anba gave the impression of being a tough and aggressive negotiator. He indicated he sees little scope for Malaysia to benefit from these two FTA chapters, and as such sees little incentive to be flexible in his approach to them.  
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